APOSTLE FUNDS MANAGEMENT

Australian PDS and New Zealand Clients

Apostle Dundas Global Equity Fund – Class C

THE NAME BEHIND THE NAMES

Monthly Portfolio Information Sheet as at 31 December 2020

Global Equity

Investment Objective

- MSCI All Country World Index ex Australia + 2.5% per annum after all fees and expenses on a rolling five-year basis
- Capital and income growth to exceed MSCI ACWI and inflation
- To achieve lower volatility than the MSCI All Country World Index ex Australia

Investment Firm

Dundas Global Investors ('Dundas') started in 2010 as an independent Investment Management firm based in Edinburgh that manages a single investment strategy, global equities.

Dundas can best be categorised as Defensive Growth, with a focus on companies with strong and sustainable returns on equity and a growing dividend stream.

Key Advantages

- Pro-active management of both components of total return (capital and dividends)
- Fee minimisation and alignment of incentives
- Lower cost base
- Enhanced research that capitalises on technology

Investment Style

Dundas invests for capital and income growth. The team uses fundamental, bottom-up research to find companies capable of real long-term wealth generation that will lead to both capital and dividend growth. While dividends are an important part of the investment proposition, Dundas places greater emphasis on future income streams as opposed to current payout ratios. The resulting portfolio is globally diversified, has an average holding period of more than five years, satisfactory upside and good downside capture statistics.

Characteristics

Unit Price – Class C (NAV)	AUD$1.6114
Fund Size	AUD$1,089.07
Tax Losses Available (As at last distribution period)	AUD$ 351.64M
Portfolio Inception Date	August 2012
Inception Date – Class C	June 2015
Companies in Portfolio	Targeting 60–100 holdings
Investment Manager	Dundas Global Investors
Management Fee	0.90%
Buy/Sell Spread	15/15 (bps)
Portfolio Management Team	Russell Hogan – Managing Partner Alan McFarlane – Senior Partner James Curry – Partner Gavin Harvie – Partner Katie Muir – Partner David Keir – Analyst Amen Mahmood - Analyst
Responsible Entity	K2 Asset Management
Custodian/Registry	State Street Australia Limited

Performance (%)

AUD return	1 mth	3 mths	1 yr	3 yr pa	5 yr pa	Incep pa
Total (gross)	0.47	3.87	11.90	16.00	14.22	11.81
Total (net)	0.39	3.64	10.90	14.97	13.20	10.82
Relative*	0.57	(2.52)	5.86	5.35	3.22	2.34

*Source: State Street Performance & Analytics Australia. Fund performance calculated using exit prices and shown on a total return basis (net dividends reinvested). Performance inception date is 4th June 2015. *Relative calculated as the difference between the Fund's gross (of fees) return and that of the MSCI All Country World Index ex Australia. Past performance is not a reliable indicator of future performance.*

Portfolio Characteristics

No of Holdings	67
Dividend Yield	1.18%
Turnover* (last 12 months)	13.48%
Price/Earnings	34.2x
Price/Cash Flow	20.3x
Price/Book Value	4.9x
Beta (*ex-ante*)	0.78
Average market capitalisation	$176.88bn
Median market capitalisation	$59.34bn
Tracking error (1 year)	5.57

*Sources: Dundas, Bloomberg. *Turnover calculated as ((Purchases + Sales)/2) / average assets during the period.*

Market Cap Exposure (% weight by capital)

Range	Fund
>US$ 500bn	7.88
US$ 100 - 500bn	32.08
US$ 50 - 100bn	17.21
US$ 10 - 50bn	30.92
US$ 2 - 10bn	8.29

Sources: Dundas, Bloomberg.

Top Ten Holdings by Capital (%)

Stock	Fund	Active Weight*
Taiwan Semiconductor ADR	2.89	2.89
Microsoft	2.83	0.08
Lonza	2.58	2.50
PayPal	2.44	1.99
Keyence	2.40	2.22
Abbott Laboratories	2.32	1.98
W.W. Grainger	2.19	2.16
ASML	2.15	1.79
Accenture	2.13	1.84
Apple	2.06	(1.84)
TOTAL	23.98	15.60

*Sources: Dundas, Bloomberg. *Active weight relative to the MSCI ACWI ex Australia.*

Top Five Holdings by contribution to Dividend Yield (%)

Holding	Fund
Costco Wholesale*	5.90
Taiwan Semiconductor	4.77
Reckitt Benckiser	3.79
DBS Group	3.56
Sage Group	3.07
TOTAL	21.09

*Sources: Dundas, Bloomberg. *includes a special dividend.*

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Regional Allocation (%)

Country	Fund	Active Weight*
United States	47.89	(8.75)
Japan	8.55	1.66
France	8.36	5.43
Switzerland	8.22	5.27
United Kingdom	5.69	1.89
Emerging Markets	4.18	(9.13)
Denmark	2.96	2.27
Netherlands	2.15	0.74
Germany	1.72	(0.80)
Hong Kong	1.31	0.06
Spain	1.25	0.58
Sweden	1.14	0.26
Canada	1.03	(1.77)
Singapore	1.00	0.71
Norway	0.95	0.79

*Sources: Dundas, Bloomberg. *Active Weight relative to the MSCI ACWI ex Australia.*

Sector Exposure (%)

Sector	Fund	Active Weight*
Information Technology	30.53	8.32
Health Care	22.94	11.07
Consumer Staples	10.43	3.02
Financials	8.91	(4.18)
Industrials	7.04	(2.72)
Consumer Discretionary	5.85	(7.28)
Materials	5.46	0.82
Communication Services	5.22	(4.18)
Energy	-	(3.00)
Real Estate	-	(2.48)
Utilities	-	(3.01)
Cash	3.62	3.62

*Sources: Dundas, Bloomberg. *Active Weight relative to the MSCI ACWI ex Australia.*

Performance and Portfolio Comment – December 2020

Market overview

Measured by the ACWI ex Australia benchmark index in Australian Dollars, global equity markets fell 0.10% in December following a strong rally in November. Vaccine approvals, US Congress passing the fifth coronavirus relief package and supportive central bank rhetoric were positive drivers.

Asia Pacific was the best performing major region (+0.69%), with falls from its largest markets of Japan (-0.56%) and China (-1.95%) offsetting good performance from South Korea (+10.42%) and Taiwan (+5.56%). Western Europe fell 0.14%, with Germany (+1.23%) the best performer, marginal gains from the UK (+0.08%) and Switzerland (+0.16%) but a poorer performance from France (-1.81%). North America (-0.59%) lagged with the US market down 0.56% and Canada falling 1.36%.

Three of the eleven sectors delivered gains in December; I.T. ended the year in pole position gaining a further 2.07%, with Materials (+1.61%) continuing their positive run as did Financials (+0.60%). There was little between top and bottom performers this month compared to other months during 2020, with the worst performing sectors of Real Estate, Utilities, and Industrials falling -2.79%, 2.15% and 1.87% respectively. In the middle of the pack, Consumer Discretionary (-0.16%) kept pace with the market return, Energy (-0.33%) held onto most of its huge November gain, and falls of between 1 and 1.5% from Communication Services, Health Care and Consumer Staples.

Performance overview

Over the past 12 months, the Fund has delivered a total return gross of fees of 11.90% while the benchmark index gained 6.04%. In December the Fund rose 0.47%, a relative performance of +0.57%.

Good stock selection was responsible for the Fund's relative performance during the month with sector allocation a detractor. Another good performance from the Fund's Communication Services and Consumer Discretionary holdings made the biggest contribution to relative returns, plus no exposure to Utilities or Real Estate. Health Care holdings, a lack of exposure to Basic Materials companies plus stock selection within Consumer Staples detracted. By region, good stock selection within North America and Asia Pacific was partially offset by European exposure.

Top five contributors came from four sectors; Communication Services, I.T. Health Care and Financials. **Walt Disney** (+16.89% total return) led the pack thanks to robust streaming subscriber guidance, followed by leading chip foundry **Taiwan Semiconductor** (+7.78%), gaming content king **Activision Blizzard** (+11.55%), Japanese diagnostics specialist **Sysmex** (+9.41%) and life insurer **Prudential** (+12.60%). The five biggest detractors came from three sectors; Industrials, Consumer Staples and Health Care. These were: US industrial supplier **W.W. Grainger** (-6.78%), Japanese pharmacy chain **Sundrug** (-9.28%), discount retailer **Costco** (-5.79%), pharma manufacturer **Lonza** (-2.35%) and US medical conglomerate **Abbott Laboratories** (-3.39%).

Dividends

The majority of the remaining dividend announcements for the year came from the Fund's Healthcare investments, all US-listed companies. Two stood out; US medical conglomerate **Abbott Laboratories** increased its dividend per share by 25% as did **Zoetis**, the world leader in animal pharmaceuticals. Good increases of between 9 and 10% also came from oncology treatment specialist **Bristol Myers Squibb** and orthopaedics maker **Stryker**. Also from the US, **Waste Management** announced a further 6% increase to its quarterly cash dividend while **Disney** opted to suspend its usual year-end dividend faced with closure of its parks and cruise ships despite the surging growth of its new Disney+ video streaming service. Finally, having scrapped its proposed annual dividend earlier in the year as the pandemic gathered pace **Essilor Luxottica**, the French-listed global leader in optical lenses and frames, reinstated an interim dividend for the current financial year.

Portfolio changes

There were no full sales or new purchases during the month.

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